

Safe Money Advisory



Near Retirement? You Can Have a Guaranteed Lifetime Income

**Houston, Texas
For Immediate Release**

Many Americans of yesteryear relied on employers to provide a defined benefit pension at retirement. They were guaranteed a lifetime income whose amount was based upon how long they worked for the employer and their ending salary. For example, a defined benefit pension plan might pay a retired worker 2% of their last year's salary for every year over twenty they worked for the employer. This meant a 40-year employee could expect to receive 80% of their final year's income as a lifetime pension at retirement. The income would continue for their lifetime and then the surviving spouse might be entitled to reduced income until death.



Some large unionized employers still provide such lifetime income but mostly employers have switched to defined contribution plans such as 401(k). These new-type plans require employees to make contributions, which their employer may match up to a certain amount. At retirement employees can keep their retirement money in their ex-employer's retirement plan [not a good idea] or move it to a self-direct IRA [which should be done]. At retirement the task of managing the money falls on the retiree and this is when potential problems surface. There is a bewildering array of investment choices each offering different benefits, limitations and risks. Retirees are repeatedly bombarded with advertisements to invest in mutual funds, stocks, bonds, variable annuities and more, but seldom are the risky edges exposed until it is too late. At the other end of the options continuum are bank CDs and U.S. Savings Bonds whose rates do not keep pace with inflation. **Wouldn't it be nice to have yesteryear's guaranteed lifetime income and be totally immune from market and interest rate risk?** You might be surprised to know that such is possible, even easy.

Insurance companies have risen to the occasion in response to the greatest fear of most retirees: outliving their money. This fear is so common that it has been given a name: longevity risk. Pooling risks across many people makes losses predictable and allows insurance companies to manage risk. Insurers have transformed one of their common products, annuities, to pool longevity risks and provide guaranteed lifetime incomes. The insurance principle is simple: those who live shorter than expected subsidize those who live longer than expected. By careful pricing insurance companies offer a valuable service and also make a profit. **So how does this translate into a guaranteed lifetime income?**

Let say you now have \$250,000, are age 60 and want a guaranteed lifetime income at age 70 when you plan to retire and start Social Security. You would enter into a contract with an insurance company (the same one that insures your home, car, life, health, etc.) whereby you deposit with them the \$250,000. In exchange, they guarantee you at least 8% growth annually for the ten years until you reach age 70 and then pay you 6% of your account balance annually for the remainder of your life. At age 70 your account will total at least \$539,731 (8% annual growth) and the guaranteed annual income paid to you by the insurance company will be at least \$32,384 (6% of \$539,731) regardless of how long you live. Combined with your SS benefits, you're assured of never running out of money. You'll also have options to protect your spouse, adjust for inflation, pass to heirs all unused money and can even withdraw your money lump-sum if you change your mind. You have successfully transformed your defined contribution retirement plan (401k, IRA or other) into a defined benefits plan (guaranteed lifetime income). The best plan is to ask your financial advisor how to get started and which options are best for you. Don't hesitate, start your investigation today.

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